

PUBLIC UTILITIES COMMISSION,
Re: Investigation into Rates of
Cobbooseecontee Telephone and
Telegraph Company Pursuant to
35-A M.R.S.A. §7101-B

STIPULATION

Cobbooseecontee Telephone and Telegraph Company (“Cobbooseecontee” or “Telephone Company”), the Office of the Public Advocate, the Telephone Association of Maine and New England Telephone and Telegraph Company, d/b/a Bell Atlantic (collectively “the Parties”), to the extent each has executed this Stipulation, hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle all issues in this proceeding, to avoid a hearing on those issues raised in this case and to expedite the Commission’s consideration and resolution of the proceeding. The provisions agreed to herein have been reached as a result of the review of information provided by Cobbooseecontee in response to written and oral information requests and discussions among the parties and the Commission’s Advisory Staff in this case.

II. BACKGROUND

On May 27, 1997, the Maine Legislature enacted 35-A M.R.S.A. § 7101-B, which required the Commission to establish intrastate access rates for local exchange carriers based on their interstate access rates by May 30, 1999, and every two years thereafter. The Commission subsequently adopted Section 8(J) of Chapter 280 of its Rules, which set forth the method by which Section 7101-B would be implemented. As

a preliminary step towards achieving this goal, Section 8(J) required all independent telephone companies ("ITCs"), including Cobbosseecontee, to reduce their intrastate access rates by 40% of the difference between their existing rates and the level of the interstate access rates by May 30, 1998.

On January 19, 1998, Cobbosseecontee filed its initial schedule of intrastate access rates (Docket No. 98-054). On May 27, 1998, the Commission approved Cobbosseecontee's initial schedule of intrastate access rates, which were already at or below the level of interstate access rates, as determined on the basis of the NECA pool disbursements, to be effective on May 30, 1998. After the initial rate reduction cases for ITCs were concluded, the Commission Staff and the Telephone Association of Maine ("TAM") began informal discussions to attempt to resolve issues regarding the access rate reductions planned for May 30, 1999. In October, 1998, ITCs provided the Staff with earnings analyses of the impact of further reductions in access rates. The information was provided in an informal manner to facilitate discussions and negotiations between the Staff and the ITCs.

On November 24, 1998, the Commission opened formal investigations into the rates of each of the ITCs, including Cobbosseecontee. The purpose of the investigation, as set forth by the Commission, was as follows:

As required by statute, Cobbosseecontee Telephone Company's intrastate access rates must be reduced to the interstate level or lower no later than May 30, 1999. This investigation will consider the potential financial impact upon the Company from this change, and may examine other factors, such as changes to basic local exchange rates or the need for a state universal service fund, that may be needed to offset all or a part of the revenue effect of access rate reductions. Any adjustment to revenues will be based on an assessment of amounts needed to allow the Company an opportunity to earn a fair rate of return.

Investigation Into Rates of Cobbosseecontee Telephone Company Pursuant to 35-A M.R.S.A. § 7101-B, Docket No. 98-892, Notice of Investigation (November 24, 1998), at 2. The Office of the Public Advocate ("OPA"), Bell Atlantic and TAM subsequently

petitioned to intervene in Docket No. 98-892 on December 2, 1998, December 3, 1998, and December 22, 1998, respectively. The Commission granted all three petitions to intervene. On December 22, 1998, a Case Conference was held in all of the cases of all ITCs. Also on December 22, 1998, TAM filed a Motion for a Protective Order in the Access Cases.

On January 28, 1999, the Commission issued its Interim Order in the Access Cases which stated the goal that companies would be required to reduce access rates as necessary to achieve intrastate access rates at NECA Pool Disbursement levels by May 30, 1999, and that companies would be required to further reduce intrastate access rates to NECA Tariff levels over the two years following May 30, 1999. The Interim Order also stated that:

We expect that the ITCs will continue to participate fully in the discovery conferences conducted by Staff. We are hopeful that after further discussions, the ITCs and the other parties will propose stipulated transition plans for our review.

In January 1999, the Staff conducted a Technical Conference in Docket No. 98-892 to discuss information regarding Cobbosseecontee. On February 25, 1999, Cobbosseecontee filed a letter with the Commission stating that no change in access rates was necessary in order for Cobbosseecontee's intrastate access rates to be in accordance with Section 8(J) of Chapter 280 of the Commission's Rules, as of May 30, 1999, because Cobbosseecontee's intrastate access rates were already at or below the level of the NECA pool disbursements. In response to a Staff request, Cobbosseecontee filed backup data to support its February 25 letter on April 29, 1999.

On July 26, 1999, Cobbosseecontee provided the Staff and the Public Advocate with an updated analysis of the impact of access rate reductions. On July 28, 1999 and on October 28, 1999, Cobbosseecontee met with the Staff and the Public Advocate to discuss the information regarding the access rate reductions and to discuss the elements of a plan for transitioning to access rates closer to the NECA Tariff level by

May 2001. At the October 28 meeting, the Staff and the Public Advocate declined Cobbosseecontee's proposal for resolution and the Staff proposed two alternative resolutions. On December 16, 1999, Cobbosseecontee sent a letter to the Staff which stated that Cobbosseecontee's Board of Directors declined to accept the proposals of the Staff, and submitted a new proposal to the Staff and Public Advocate for resolution of this matter. In early February, 2000, the Staff informed Cobbosseecontee that its proposal was not acceptable and that the next steps would be taken with regard to the commencement of a formal rate proceeding. Also, the Staff suggested that Cobbosseecontee review its information and consider whether it could modify its proposal to comport more with the Staff's views. Cobbosseecontee, after additional review, responded that it did not believe that it should make such a modification. An Order requiring Cobbosseecontee to submit a Chapter 120 filing was subsequently placed on the Commission's Agenda for deliberations on April 13, 2000.

On April 11, 2000, Cobbosseecontee submitted a letter requesting that the Commission decline to issue the proposed Order and that the Commission accept a proposed Stipulation for resolution of the case submitted by Cobbosseecontee. On April 19, 2000, the Commission issued its Order directing Cobbosseecontee to file Chapter 120 information by May 19, 2000, and declining to consider the Stipulation proffered by Cobbosseecontee. On May 3, 2000, Cobbosseecontee filed a Request for Reconsideration of the Commission's April 19 Order and also requested a 60 day extension of the May 19 filing deadline. On May 15, 2000, the Hearing Examiner granted Cobbosseecontee an extension to June 5, 2000. The Commission did not act on the Motion for Reconsideration and it was considered denied by operation of Commission rule.

On June 5, 2000, Cobbosseecontee filed its Chapter 120 filing pursuant to the April 19 Order. On June 12, 2000, the Hearing Examiner issued a Procedural Order directing Cobbosseecontee to file supporting testimony by June 30, 2000 and proposing a schedule for the remainder of the case. On June 21, 2000, Cobbosseecontee filed comments on the Procedural Order (after receiving a three day extension) in which

Cobbosseecontee sought modification of the process for the case and proposed an alternative schedule. On June 29, 2000, the Hearing Examiner issued a Procedural Order which rejected Cobbosseecontee's procedural arguments and adopted a revised schedule for the case, which directed that Cobbosseecontee file a Direct Case by July 11, 2000. The Procedural Order also set a July 7, 2000 deadline for Cobbosseecontee to file any request for the assignment of an advocate staff.

On July 11, 2000, Cobbosseecontee filed its Direct Case, consisting of Direct Testimony and Exhibits. On July 18, 2000, the Advisory Staff issued Staff Data Request No. 1 to Cobbosseecontee, and on July 20, 2000, the Public Advocate issued its First Data Request to Cobbosseecontee. Cobbosseecontee filed its Responses to Staff Data Request No. 1 on July 25 and 28, 2000, and its Responses to the Public Advocate's First Data Request on August 3, 2000.

On July 14, 2000 (after receiving a one week extension), Cobbosseecontee filed a Motion for Assignment of Advocacy Staff and Other Relief. On August 3, 2000, the Commission issued an Order denying the Motion.

On August 4, 2000, the Advisory Staff issued a letter containing a proposal for settlement of the case, with a deadline to respond of August 18. Cobbosseecontee responded to the proposal and entered into discussions regarding resolution of the case with the Advisory Staff and the Public Advocate. On August 23, 2000, Cobbosseecontee filed a Petition to Reconsider Order Denying Assignment of Advocacy Staff and Other Relief, but requested that argument on the Petition be deferred because of the pending negotiations. The Telephone Association of Maine filed a letter on September 1, 2000, joining in Cobbosseecontee's Request for Reconsideration of the Commission's August 3 Order.

In mid-September, 2000, after several discussions, Cobbosseecontee and the Staff reached agreement on a proposed resolution of the case. The Public Advocate

was kept informed of the discussions and of the proposed resolution. The resolution is embodied in this Stipulation.

III. STIPULATION PROVISIONS

The Parties to this Stipulation agree and recommend that the Commission order as follows:

1. Access Rate Reduction. The Parties agree that on May 30, 2001, the Telephone Company shall reduce its average intrastate switched access rate per minute so as to produce a reduction in intrastate access revenues of \$60,000 on an annual basis, based on the billing determinants in the Company's Chapter 120 Filing. The Telephone Company shall implement this access rate reduction by filing, no later than one month after the date of the Commission's Order approving this Stipulation, revised rate schedules for intrastate access service, bearing the proposed effective date of May 30, 2001. The rate structure of the access rates to be implemented on May 30, 2001, shall be consistent with the rate structure requirement of Section 8(J) of Chapter 280 of the Commission's Rules, unless the requirements are waived by the Commission under Section 15 of Chapter 280. From the date of the Commission's approval of this Stipulation through May 29, 2001, the Telephone Company shall not be required to reduce its intrastate access rates below their currently existing level as of the date of this Stipulation. From May 30, 2001 through the earlier of May 29, 2003 or the effective date of any general change in rates pursuant to a rate proceeding, the Telephone Company shall not be required to reduce its intrastate access rates below the level specified in the first sentence of this Section. The Telephone Company shall not be prohibited by this Stipulation from voluntarily reducing its intrastate access rates.

2. Reduction of Premium Rates. Within seven (7) days after the date of the Commission's Order approving this Stipulation, the Telephone Company

shall file a revised rate schedule which provides that its Residential (R1) Premium Rate shall be reduced from \$17.00 to \$16.06, and which has a proposed effective date of no more than 30 days after the date of the Commission's Order.

3. Elimination of Toll Surcharge. Within seven (7) days after the date of the Commission's Order approving this Stipulation, the Telephone Company shall file a revised rate schedule which provides that its existing 10¢ toll surcharge shall be eliminated, and which has a proposed effective date of no more than 30 days after the date of the Commission's Order.

4. Temporary Rate Reduction. At the time of the filing of the revised rate schedules described in paragraphs 2 and 3, the Telephone Company will also file a temporary rate schedule which provides a credit to its customers' bills, which is designed to produce a one-time reduction in revenues of \$13,200, by crediting each access line with an amount determined by dividing \$13,200 by the number of access lines.

5. Record. The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, the Telephone Company's Chapter 120 Filing and Direct Case, and all documents provided in responses to data requests and information requests of the Advisory Staff and Public Advocate.

6. Non-Precedential Effect. Except where it may be expressly noted herein, the Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

7. Stipulation as Integral Document. This Stipulation represents the full agreement between all parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

COBBOSSEECONTEE TELEPHONE
AND TELEGRAPH COMPANY

By: _____
Its: _____ Date _____

OFFICE OF THE PUBLIC ADVOCATE

By: _____
Its: _____ Date _____

TELEPHONE ASSOCIATION OF MAINE

By: _____
Its: _____ Date _____

NEW ENGLAND TELEPHONE AND
TELEGRAPH COMPANY,
D/B/A VERIZON-MAINE

By: _____
Its: _____ Date _____